



60th Legislative Session – 2007
HB 2 Budget Sub-Committee Presentation

Thank you for the opportunity to visit with you today.

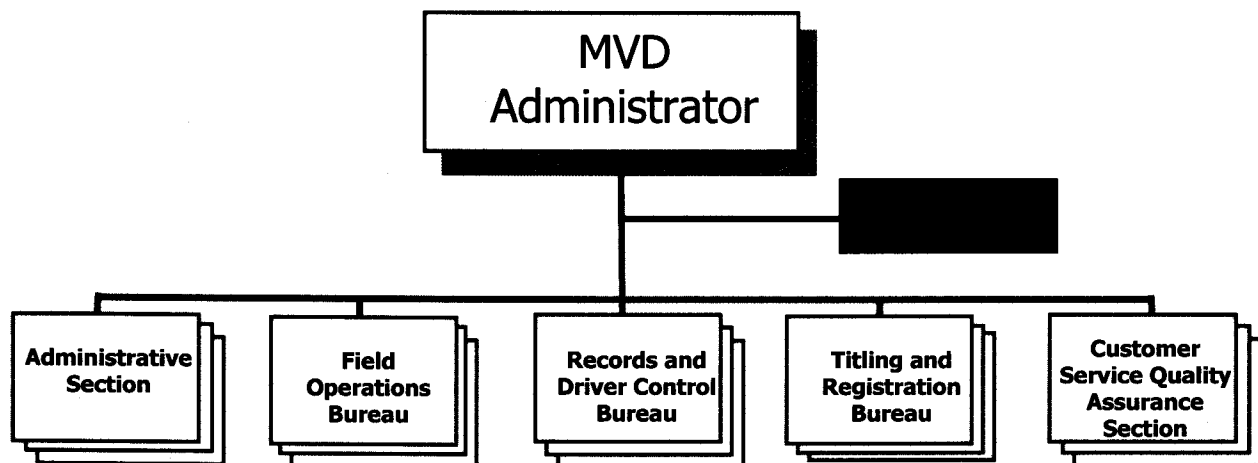
The mission of the Motor Vehicle Division is to pursue and promote efficient, cost effective programs that benefit the interests, safety, and well being of Montana citizens through licensing, registering, and regulating the motoring activities of the public.

Operating under Title 61 of the Montana Codes, the Department of Justice Motor Vehicle Division provides a wide range of services relating to driving in Montana including:

- Examination and licensure of all drivers – basic, commercial, and motorcycle – including verification of identity and legal presence
 - More than 727,000 drivers licensed in Montana
- Driver control, including license withdrawal, driver improvement and administrative sanctions that follow conviction for DUI or other specified offenses
- Titling and registration of all motor vehicles including boats, snowmobiles, ATV's
 - 1.75 million total vehicles titled in Montana
 - 1 million vehicles are registered each year
- Creation and maintenance of permanent driver and motor vehicle records
 - More than 2 million transactions are processed each year
 - 5.2 million records are maintained in the driver and motor vehicle data bases
- Motor vehicle theft and fraud prevention through verification of vehicle identification numbers
- Licensure, regulation, and compliance audit management of motor vehicle dealers and manufacturers conducting business in Montana
- Training in the use of the automated title and registration system for county treasurers, motor vehicle dealers, financial institutions, and insurance companies
- Access for law enforcement to essential information contained in the driver and motor vehicle data bases
- Issuance of secure identification cards
- Motor voter registration services for the public
- Organ donor and traumatic brain injury program registration for the public

In performing these duties, the Division and its 155.00 FTE now (FY 2003 163.60 FTE and FY 2005 159.50 FTE) are organized into three bureaus and two sections -- Field Operations Bureau; Records and Driver Control Bureau; Title and Registration Bureau; Customer Service and Quality Assurance Section; and the Administration Section.

DEPARTMENT OF JUSTICE, MOTOR VEHICLE DIVISION



MVD / FIELD OPERATIONS BUREAU

The Field Operations Bureau's primary focus and responsibilities include:

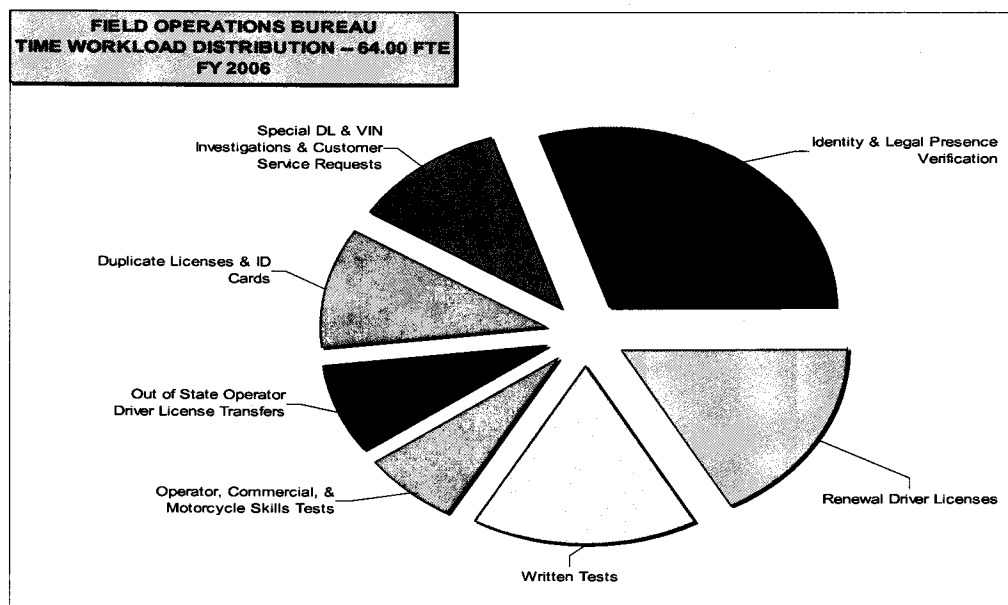
- Validating a person's ability to safely operate a motor vehicle by conducting driver's licensing tests that result in issuing new and renewal driver's licenses. Investigating and re-testing when necessary when a driver's ability to safely operate a vehicle may have changed (such as, medical condition has changed).
- Verifying an individual's identity and legal presence before issuing valid Montana driver licenses and identification cards – documents that the business community and society depend upon as proof of identity and legal presence. Thirty percent of the bureau's staff resources are consumed in compliance with the legal requirements to verify an individual's identity and to prevent identity theft for Montana citizens. Those laws require the division to obtain proof of the individual's identify, legal name, and legal presence.
- Providing enhanced services to the public through the Cooperative Driver Training Program (permits high school driver education instructors to administer the driver licensing tests to their students) and the Third Party Testing Program (allows private businesses to test their commercial drivers).
- Training driver examiners and driver education instructors on a continuing basis for changes in licensing procedures and laws.
- Registering voters and organ donors through the motor voter system.
- Providing motor vehicle identification number (VIN) inspections

Each year, the Field Operations Bureau provides driver licensing services and:

- ✓ Operates 48 driver-licensing offices in 47 counties
 - 21 permanent and 27 travel locations
 - Eight driver licensing offices are open Monday through Friday
 - Employees travel more than 375,000 miles to provide driver-licensing services
- ✓ Issues more than 140,000 new and renewal driver licenses and 35,100 duplicate driver licenses and verifies the identify of the individual for each transaction

- Administers over 59,100 driver licensing written tests and 960 oral driver license knowledge examinations for special needs customers
- Conducts more than 17,500 basic operator; 11,000 commercial; and 1,900 motorcycle driving skills tests
- Transfers over 22,000 out-of-state driver licenses
- Conducts more than 300 special driver licensing investigations (for medical impairments and other factors affecting safe driving abilities)
- Licenses more than 12,600 students who participate each year in the cooperative driver training program (CDTP) and 2,200 driver's education students
- Issues more than 19,000 secure ID cards
- Registers more than 15,200 citizens to vote and 81,300 individuals as organ donors
- Responds to daily walk-in and telephone customer requests for specialized services
- Updates more than 12,000 driver records to reflect changes in names and addresses

The Field Operations Bureau's workload time distribution chart reflects the current utilization of staff time to complete primary driver licensing services, including identity verification and legal presence.



MVD / RECORDS AND DRIVER CONTROL BUREAU

The focus of the Records and Driver Control Bureau is to assure that only qualified drivers may legally operate a motor vehicle on Montana roads and the bureau accomplishes this by:

- Maintaining records of all drivers including records of examination, license issuance or denial, violations, accidents, correspondence, changes of name or address, actions taken against the license or privilege to drive and medical or visual information. More than 23,000 pages of imaged documents are added to driver license files each and every month.
- Exchanging driver record information with other jurisdictions and with federal agencies to ensure that the division licenses only those people who are qualified to operate a motor vehicle in the State of Montana.

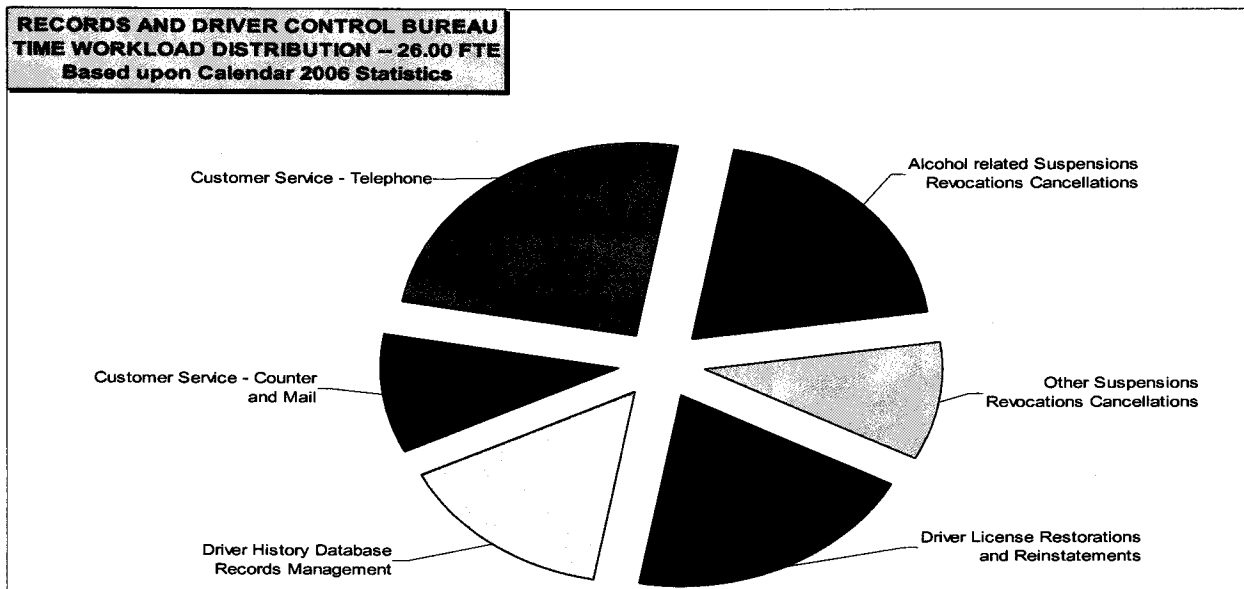
- Administering suspensions, revocations, cancellations and reinstatements of driver's licenses and privileges or suspensions of vehicle registrations after convictions for violation of state laws. More than 7,500 convictions are recorded every month.

The Records and Driver Control Bureau acts to reduce traffic accidents and keep Montana drivers and passengers safe and to accomplish this, each year, the bureau:

- ✓ Maintains more than 1.5 million driver records, tracking all Montana driver records and their driving histories. These records are maintained and shared as a means of addressing the requirements of commerce and the regulatory aspects that support and uphold minimum standards.
- ✓ Suspends, revokes, or cancels over 31,800 driver licenses, including more than 2,800 vehicle registration cancellations for failure to have liability insurance
- ✓ Issues more than 2,400 probationary driver licenses
- ✓ Files in its records more than 400,000 traffic tickets and 190,000 other documents related to driver history files
- ✓ Furnishes more than 400,000 records to authorized agencies and provides more than 10,000 certified driver license records for criminal justice agencies and courts
- ✓ Reinstates the licenses of more than 20,000 drivers whose driving privileges have previously been suspended, revoked, or canceled
- ✓ Collects more than 5,000 driver reinstatement fees

Through business partners, the Bureau provides:

- ✓ On-line driving records – Through DiscoveringMontana.com Montana Interactive (MI) provides more than 17,600 driving records per month to insurance companies, employers and other authorized parties on behalf of the State. These on-line transactions generate over \$2 million/year in general fund revenue to the State.
- ✓ Contracted mailing services – An average of 12,000 renewal notices are mailed each month to Montana drivers whose driver licenses will expire within 60 days (61-5-111, MCA).



MVD / TITLE AND REGISTRATION BUREAU

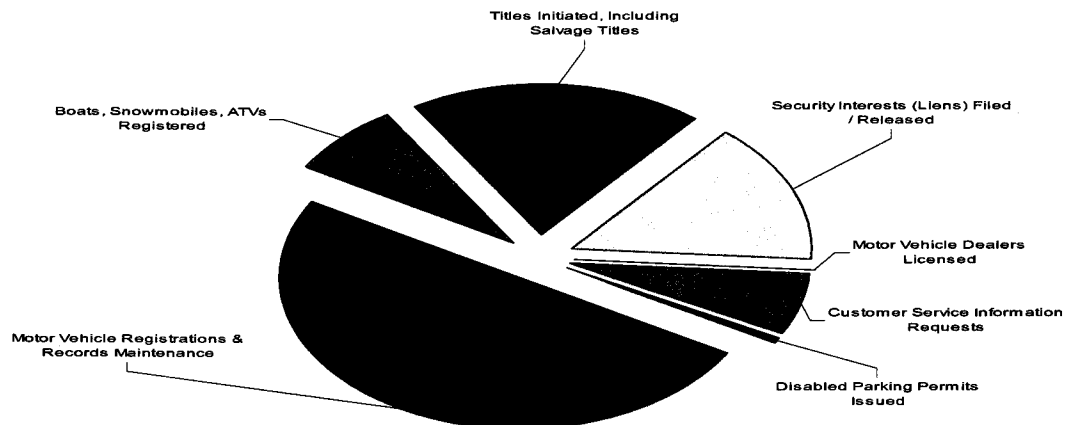
The Title and Registration Bureau's principle responsibilities protect Montana vehicle owners and security interests, licenses and regulates motor vehicle dealers and manufacturers, deter motor vehicle fraud and theft, and maintain vehicle-related records. To accomplish this, the bureau:

- Issues titles for new and used vehicles, to both individual vehicle owners and licensed motor vehicle dealers
- Licenses and regulates motor vehicle, snowmobile, boat and off-highway vehicle dealers, including investigating complaints and conducting audits of records
- Values all motor vehicles for county option taxation purposes and sending motor vehicle registration renewal notices to vehicle owners each year
- Complies with laws governing odometer disclosure, inspecting vehicle identification numbers for rebuilt salvage vehicles and vehicles without valid identification numbers, and assigns vehicle identification numbers to vehicles that are missing them or to homemade vehicles
- Files motor vehicle liens and notices of lien filings
- Provides county treasurers, motor vehicle dealers and financial institutions with materials and training for titling vehicles, filing liens and carries out registration laws
- Provides information and training to local law enforcement agencies and assists with in-depth investigations of motor vehicle fraud, odometer fraud, theft cases and consumer complaints
- Issues parking permits to people with disabilities
- Maintains records of all vehicles titles and registered in Montana

Each year, the Title and Registration Bureau:

- ✓ Maintains more than 2.5 million vehicle records
- ✓ Registers, through a partnership with the county treasurers, more than 1,007,000 passenger cars, light trucks, trailers and commercial vehicles and more than 156,000 boats, snowmobiles, off-highway vehicles and campers
- ✓ Generates more than 450,000 titles and issues more than 3,300 salvage titles, inspection certificates and junk receipts
- ✓ Files or releases more than 302,000 liens on vehicles
- ✓ Licenses and regulates over 1,747 motor vehicle dealers and manufacturers
- ✓ Responds by telephone and in writing to more than 135,000 requests for information about ownership of vehicles
- ✓ Generates more than 853,000 mail renewal cards
- ✓ Issues more than 9,800 parking permits for people with disabilities
- ✓ Supplies license plates, decals, and motor vehicle forms the county treasurers
- ✓ Maintains the motor vehicle valuation system for county option tax calculations
- ✓ Generates a significant number of reports for other state agencies including the Legislative Fiscal Analysts and the Department of Revenue

**TITLE AND REGISTRATION BUREAU
WORKLOAD DISTRIBUTION – 55.50 FTE
Based upon calendar 2006 reports.**



CUSTOMER SERVICE AND QUALITY ASSURANCE SECTION

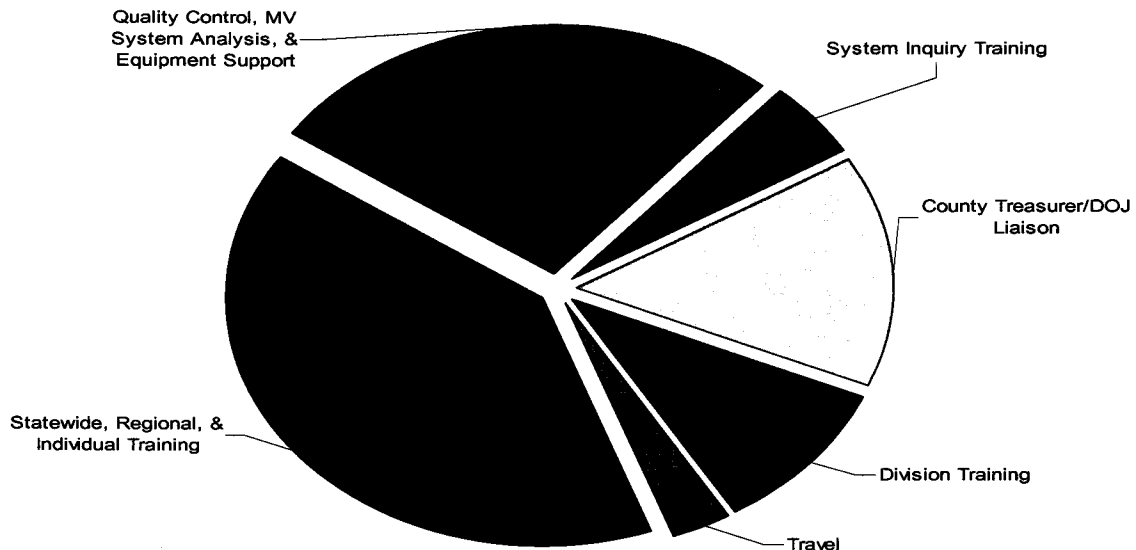
The Customer Service and Quality Assurance Section:

- Provides an essential connection between the Division, the 56 county treasurers who perform local motor vehicle functions for the motoring public, automobile dealers, financial institutions, insurance companies, other state agencies, and private businesses.
- Analyzes and recommends system improvements, tests system processes, and develops and presents statewide training in motor vehicle title and registration processes.
- Compiles title, registration, and dealer manuals that standardize the motor vehicle title and registration processes to benefit the citizens of Montana.

Each year, the Training Unit:

- ✓ Develops and presents more than 70 statewide training programs in titling, registration, and dealer law and procedures for --
 - 56 county training and communications coordinator (TAC) personnel,
 - more than 325 county treasurers and clerical staff,
 - members of the Montana Auto Dealers,
 - more than 290 members of the Montana Independent Auto Dealers Association, Montana Banking Association, credit unions, and
 - more than 2,200 state motor vehicle system users (including the OPI, MDT, DOE, DLI, CIB, IRS, FWP, DOA, DEQ, FRAUD, DPHHS, & DOR)
- ✓ Assists the counties with motor vehicle computer system equipment installation and troubleshooting
- ✓ Consults with the counties on matters of concern including motor vehicle work flow design, remodeling/relocation, equipment system design, identified and investigates possible fraud (with referral of findings to enforcement personnel), and system problems and provides recommendations for resolution of problems.

**CUSTOMER SERVICE QUALITY ASSURANCE SECTION
WORKLOAD DISTRIBUTION – 12.00 FTE – FY 2006**



MVD ADMINISTRATIVE SECTION

The Administrative Section:

- Provides essential accounting services to ensure that revenues and expenditures are accurately recorded in SABHRS. Approximately \$120 million annually in motor vehicle and driver licensing revenues collected for the State by the county treasurers are reported monthly to the Division for verification and processing into SABHRS. This responsibility was transferred from the Department of Revenue to the Department of Justice effective July 2006.
- Audits the 56 county collection reports received monthly and coordinates adjustments to ensure that the revenues reflected in SABHRS are accurate. Identifies training needs and coordinates with the Customer Service and Quality Assurance Section to provide the training and solutions to ensure accurate transaction processing and revenue reporting.
- Coordinates the configuration required to properly account for motor vehicle and driver licensing fees collection and remittance to the State treasury and SABHRS.
- Provides daily support for division management, including revenue analysis, expenditure tracking, budget projections, and human resource issues.

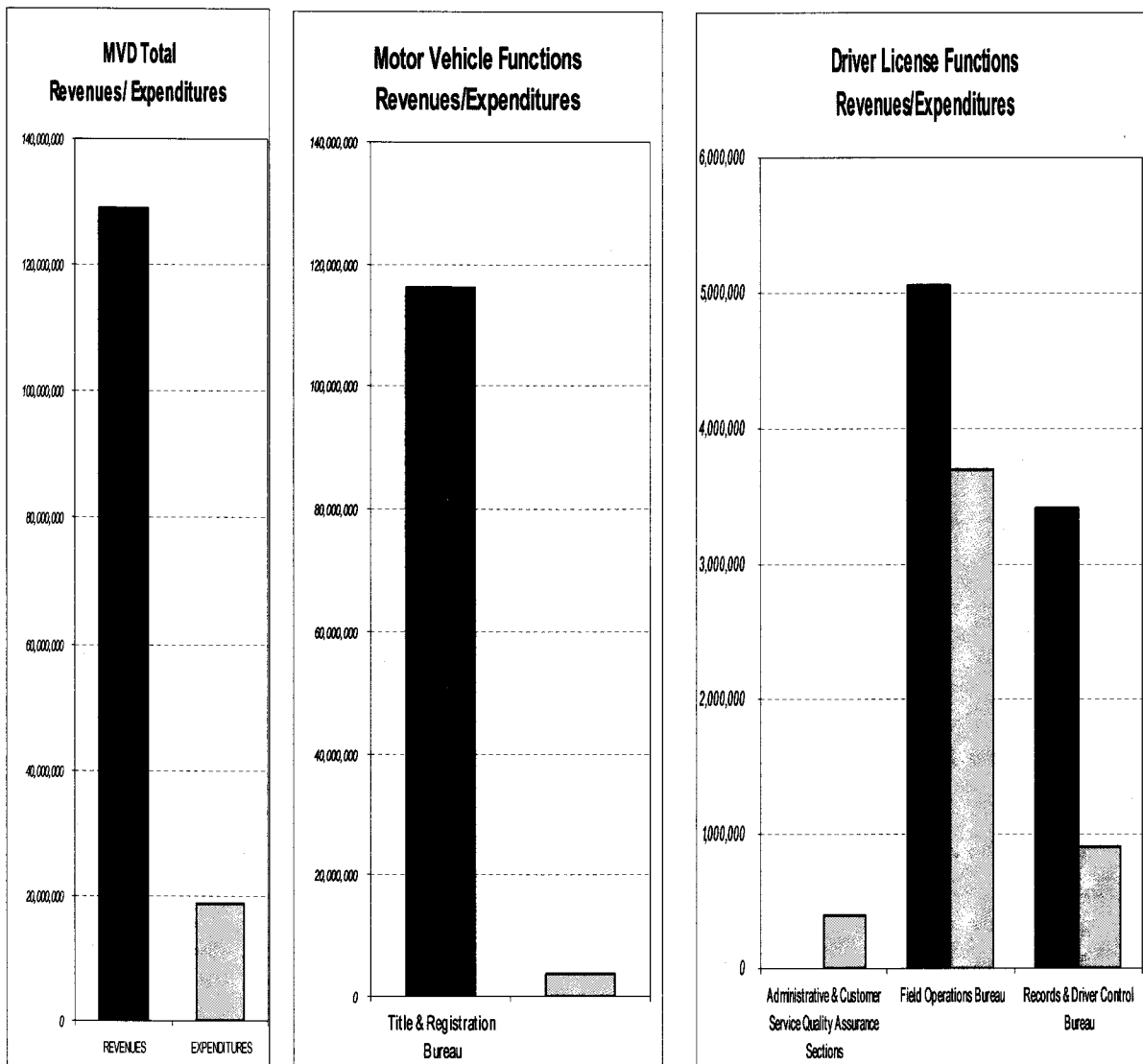
REVENUE COLLECTION

Motor Vehicle Division operations (Program 12 in the Department of Justice-4110) provide primarily general fund revenue. 98% of the revenue comes from services tracked through the motor vehicle and driver license systems and the new Montana Enhanced Registration and Licensing Information Network (MERLIN) system. 2% of the revenue is tracked through other means.

The volume in dollars and transaction counts in FY 2006 included \$129.2 million in revenue, more than one million motor vehicle registrations, 175,000 driver license transactions, and 45,000 driver license control activities logged.

Motor vehicle activity supplies 90% of Motor Vehicle Division revenue. Most is collected via activities with the County Treasurer Offices. Motor vehicle transactions average \$9.6 million monthly.

The Motor Vehicle Division and our business partners collected and deposited \$129.2 million in general fund and state special revenues in FY 2006. The division expended approximately \$14.7 million including \$630,267 in federal grant funds plus \$3.97 million in HB 261 loan proceeds in FY 2006.

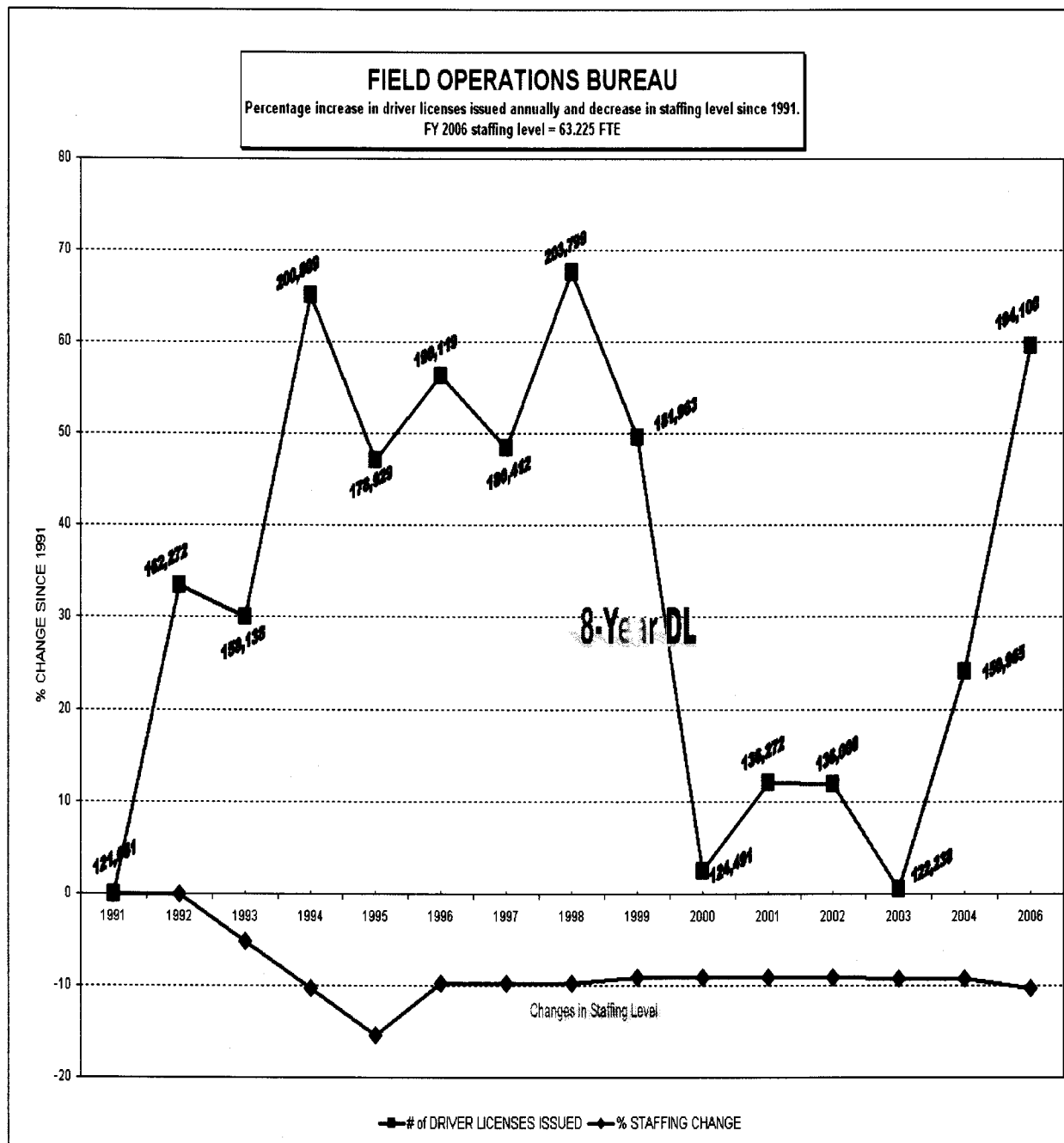


PRIMARY SOURCES OF REVENUE:

Field Operations Bureau: \$5.056 Million in driver licensing fees
 Records and Driver control Bureau: \$2.097 Million in Information fees & \$1.32 Million in driver license reinstatement fees
 Title & Registration Bureau: \$110.3 Million in vehicle registration fees, \$4.5 Million title fees, \$1.4 Million personalized plate fees
 Motor Vehicle Division – FY 2006 – General Fund totals: Revenues \$120,027,622 / Expenditures \$5,758,097

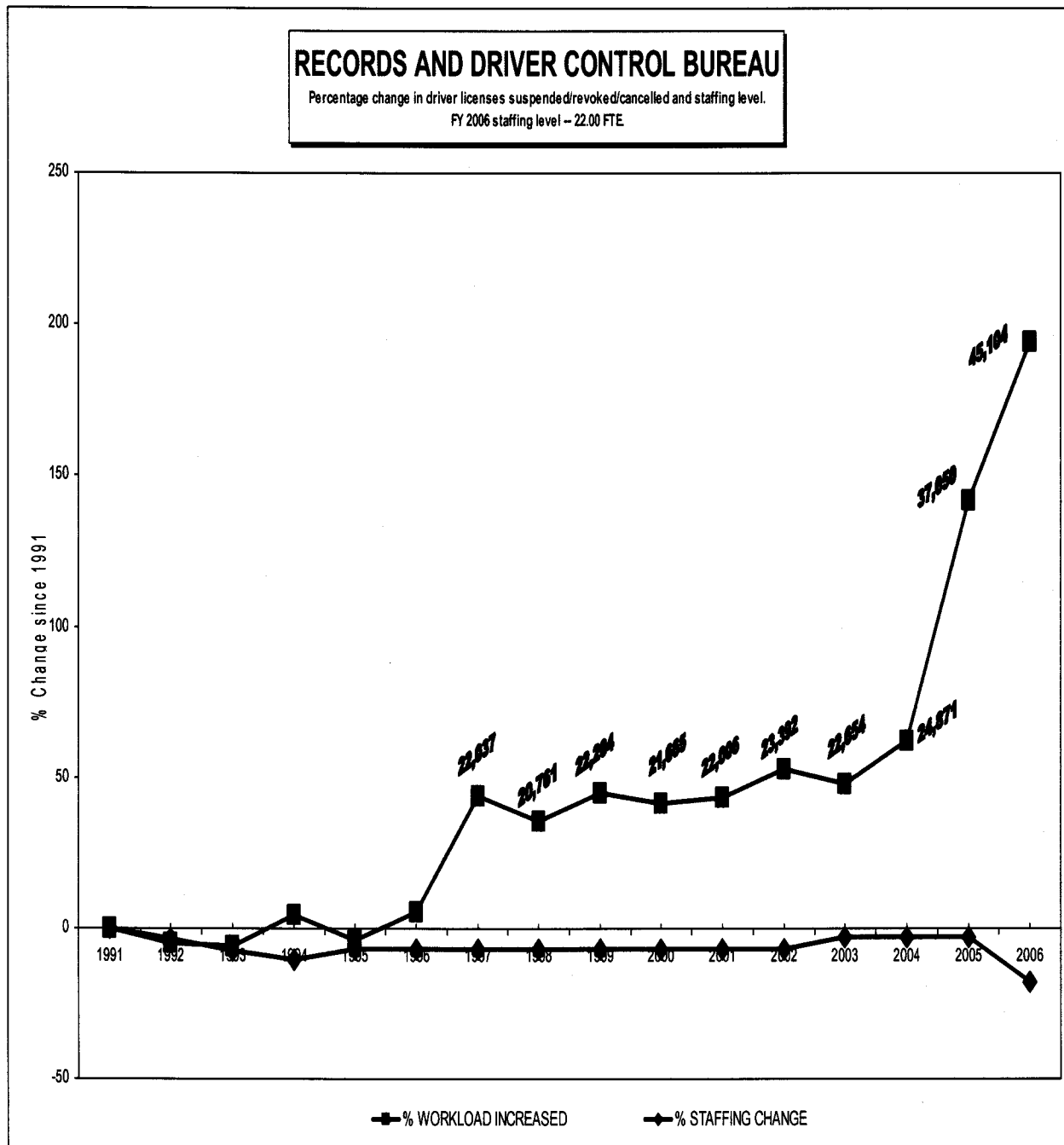
In FY 2006, the Field Operations Bureau's driver licensing functions:

- ✓ Collected and recorded \$5 million in general fund and state special revenues
- ✓ Expended approximately \$3.6 million in state general and state special revenue funds for personal services and operating costs
- ✓ Current authorized staffing level is approximately 10.3% lower than in 1991 (70.50 FTE IN 1991 TO 63.225 FTE) while the number of driver licenses and identification cards issued annually increased from 121,500 in 1991, peaked at more than 203,000 in 1998, and stabilized at more than 194,100 in FY 2006.



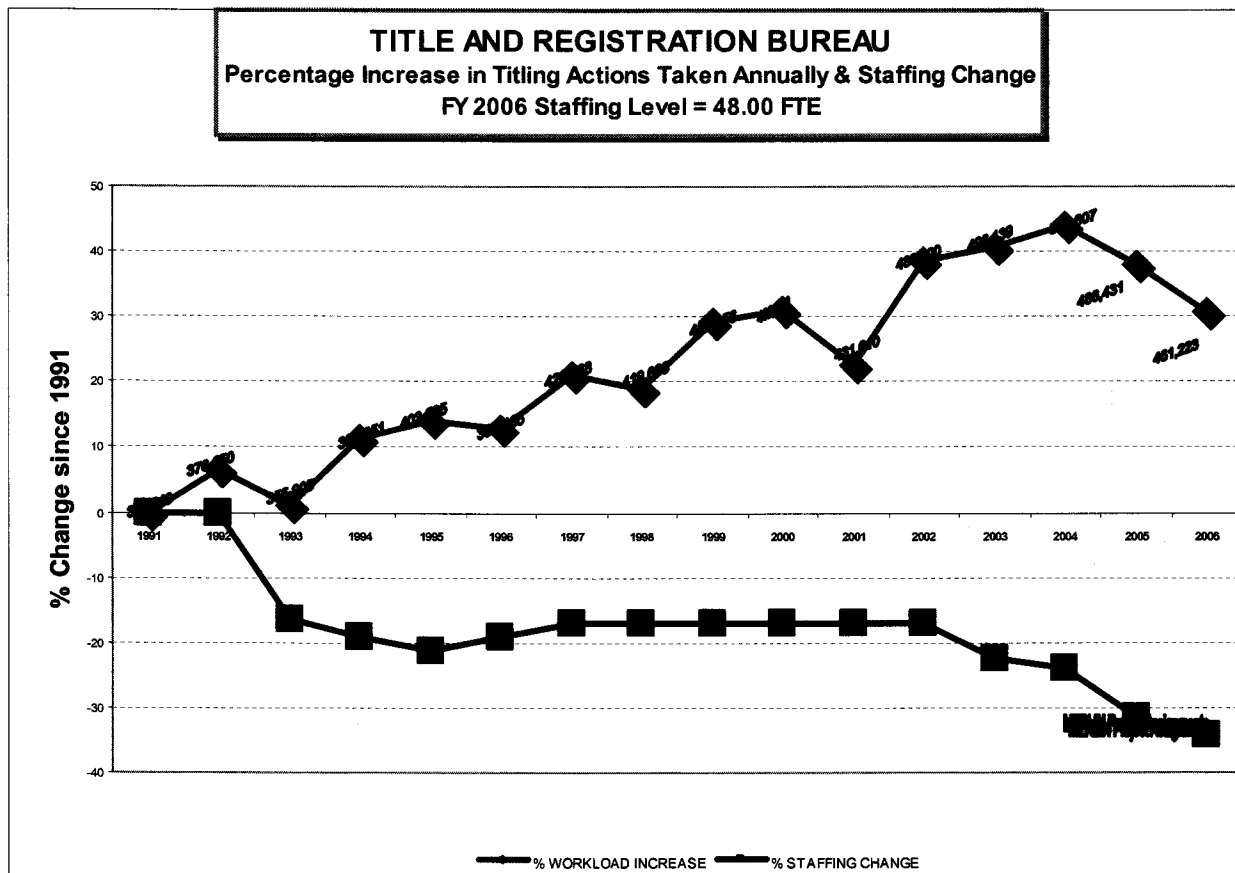
In FY 2006, the Records and Driver Control Bureau:

- ✓ Collected and recorded approximately \$3.4 million in general fund and state special revenues
- ✓ Expended approximately \$1.01 million in state general and special revenue funds for personal services and operating costs.
- ✓ Current authorized staffing level is approximately 18% lower than in 1991 (26.85 FTE in 1991 to 22.00 FTE). The Division's Records and Driver Control Bureau has experienced a 137% increase in driver improvement actions (19,000 in 1991 to 45,104 in 2006).



In FY 2006, the Title and Registration Bureau motor vehicle titling and registration functions:

- ✓ Generated and deposited more than \$116.2 million in state general and special revenue funds
- ✓ Expended approximately \$3.72 million in personal services and operating costs.
- ✓ The Division's Title and Registration Bureau's staffing level has decreased 34% (73.00 FTE in 1991 to 48.00 FTE) while managing to handle a 28% increase in work load (352,649 titling activities were processed in 1991 compared to 453,300 in 2006). The business process changes developed through the MERLIN System have developed efficiencies that allowed the Division to handle increasing workloads without increases in staffing and eliminated duplications in efforts.
- ✓ The Division provides the Department of Revenue and the Governor's Office of Budget and Program Planning the statistics necessary to calculate the state's general fund distributions based on motor vehicle transaction activities for counties, state agencies and programs (such as, Fish, Wildlife and Parks; Department of Transportation; motor vehicle recycling and disposal programs; noxious weed programs, state veteran's cemetery account; highway patrol officers retirement account; search and rescue account; veteran's services account, etc).



DIVISION HIGHLIGHTS

The Department of Justice, Motor Vehicle Division strongly believes that we are good stewards of our taxpayers' dollars and we are committed to continue to work toward even greater efficiencies.

A significant focus of the Division's activities during the 2007 biennium has been the Montana Enhanced Registration and Licensing Information Network System (MERLIN) Project.

- HB 577 (2001 Session – Team 577 Project) authorized \$4.5 million for Phase One – Titling Improvement Project.
- HB 261 (2003 Session – Team 261 Project) authorized \$18 million for the MERLIN Project (Montana Enhanced Registration and Licensing Information Network --Phase Two) to upgrade the Motor Vehicle Division business processes and supporting technology.

These Board of Investment "InterCap Loans" will be repaid over a term of 10 years and nearly \$2.475 Million of the loan principal has been repaid at this time.

The goals of the MERLIN Project are:

- ❑ To provide consistent, quality customer service
- ❑ To facilitate easy access for those who need information, while ensuring security
- ❑ To improve efficiency
- ❑ To establish a single source for motor vehicle and driver information
- ❑ To replace an aging data process system built in the early 1980s
- ❑ To address decreasing availability of resources to support aging system
- ❑ To address the increasingly complex legislated mandates that are getting harder to implement

Strategic Motor Vehicle Division and DOJ Information Technology Services Division staff and key motor vehicle system business partners including legislators and members of the private sector are members of the MERLIN Advisory Board and sponsors who continue to contribute and guide this project.

The charter for Phase One of this business process re-engineering project focused on in-depth analysis of all existing systems and processes to design the forthcoming best practices for the new system processes and the development of an initial comprehensive transition plan from the existing business practices and system to a fully implemented new motor vehicle system. The application of new technology was delayed to build a solid foundation by making improvements of selected business process changes and those business process changes that will drive the technologies to be implemented.

Business process re-engineering is a fundamental rethinking and redesign of business processes in order to bring about dramatic improvement in performance. Our business process re-engineering methodology for the MERLIN Project is comprised of three phases.

- ❑ Phase 1: Current Process Model (AKA "AS-IS") analysis of the business processes being performed and capturing in detail the steps involved in each process. Facilitated meetings with subject matter experts produced workflows of current business practices.
- ❑ Phase 2: Future Process Model (AKA "TO-BE"), based on the business processes defined in the AS-IS analysis, the TO-BE design creates the target for the business process re-engineering effort, defines how these processes will look when the project is completed, and establishes priorities. MERLIN business analysts, technology staff and

MVD experts participated in and analyzed the visioning session summaries and stakeholder ideas to develop specific TO-BE goals.

- Phase 3: The MERLIN Transition Plan analyzes the gap between the AS-IS and the TO-BE, the impact of change on all support areas and entities, and develops strategies for implementation.

The business process re-engineering process in use by the MERLIN Project encompasses special methodology components to achieve positive results while mitigating any disruption or negative impact on business functions and customer services. We have added:

- Visioning Sessions with Key Stakeholders to lay the groundwork. Participants represented law enforcement, courts, county treasurers, banking, insurance, and more. Start-up including interviews and data gathering from other states and entities; collection and evaluation of best practices, and high-level analysis of existing processes.
- Pre-implementation Activities including a detailed use case model, supporting business rules, non-functional requirements and implementation of strategy planning. Pre-implementation requires attention to details and staffing identified for every competency in the business process change packages.
- Guiding Principles for this project have been written, published and posted that clearly and consistently state our vision and purpose.
- Advisory Committee is composed of fourteen stakeholder representatives involved in motor vehicle transactions in Montana.
- Key division employees have been temporarily reassigned to project activities based upon their special knowledge of the business practices and needs. These employees will also add tremendous value to the project design and implementation phases.

Project sponsors guide the team through the analysis, development, and implementation of business process changes. Selected changes are specifically aimed at moving toward motor vehicle and driver licensing processes that improve customer service, as well as internal and external efficiencies. The project is on track and some notable achievements to-date are:

- ✓ Significant reduction in titling turnaround from more than 70 working days to next day turn around
- ✓ Transaction information on the computer system is available more rapidly for law enforcement, lending institutions, and licensed dealers
- ✓ Moving from microfilm document storage to imaging – rapid on-line access to records
- ✓ Staggered timeline leveraging resources and creating efficiencies
- ✓ Active participation of stakeholder groups (e.g., law enforcement, county treasures, automobile dealers, insurance industry, financial institutions, etc.)
- ✓ Temporary registration permits that will allow law enforcement to identify vehicles immediately

Historically, the increasing workloads created tremendous backlogs causing titling processes requiring as much as eight to ten weeks to complete simple titling transactions. Many improvements have been made significantly improving our customer service area.

A few other highlights of the Division's activities during the 2007 biennium include:

- ✓ On-going efforts in support of identify and fraud prevention measures include verification of social security numbers of Montana licensed drivers with the Social Security Administration (SSA). To a great extent, our ability to license and regulate drivers depends upon the quality of the data that is stored within the State's computerized driver license application system. The social security number verification process validates that information and provides the opportunity to update information in the motor vehicle database. The division exchanged 1.1

million social security numbers with SSA – resulting in a 97 percent verification rate. Many duplicate records have been corrected and records containing incorrect social security numbers have been corrected as well as the identification of deceased drivers.

- ✓ Working with Montana's state portal system vendor (MII), the Division made driver records more readily available online for those with authorized access to the information including individuals, federal, state (such as, the juvenile and district courts, child support enforcement agencies, and law enforcement agencies), county, and private sector businesses (such as insurance companies). All driver record information made available is in compliance with the Montana Driver Privacy Protection Act (SB 293).
- ✓ An automated abstract of conviction for use in the lower courts, developed through a cooperative effort with the Montana Supreme Court, allows conviction data to be easily transmitted to the state's driver license records electronically.
- ✓ Strengthened Motor Vehicle Division relationships with the Montana Secretary of State supporting SSN verification aspects of Help America Vote Act (HAVA) to expedite the voter identification processes for many Montana voters in recent elections.
- ✓ Increased customer access to motor vehicle information and forms on-line. Easy access to motor vehicle forms through the use of a WEB hot link direct to the motor vehicle forms.
- ✓ The division is analyzing staffing assignments and resource allocation to provide better services for the public.

BUDGET ISSUES

We sincerely respect and value our duties and responsibilities to the citizens and legislators of Montana and will continue to be team players working with the Legislature and the Governor. As reflected in the Legislative Budget Book, the Motor Vehicle Division's budgetary request for the 2009 Biennium includes six present law decision packages increases and one new proposal request.

The Division continues to experience a high rate of vacancies for a number of reasons (e.g., retirements, promotions within state government, higher pay in private industry, economic changes, etc.). During FY 2006 we have completed 44 recruitment/selection processes – that is equivalent to replacing 28 percent of our authorized staffing level. In addition to the strain of the selection processes, this has placed a tremendous burden on our employees to ensure that the newly hired individuals are adequately trained as quickly as possible to maintain a highly professional level of services for our customers.

The 2003 Legislature switched the funding for the Motor Vehicle Division to state general fund and Highway State Special Revenue. During the 2007 biennium the funding allocation was 60 percent general fund and 40 percent highway special revenue funds. Historically the Division has been funded with general funds; however, at times the general funds have been replaced with highways state special revenue funds.

Present Law Proposals

The Motor Vehicle Division's budget package is presented reflecting the Division's two primary areas of operations – driver licensing and titling and registration – with the addition of the

present law debt service adjustment.

DP 1201 – Base Adjustments MVD Title and Registration – Base budget adjustments of \$481,512 in FY 2008 and \$481,512 in FY 2009 is requested. Of this request there is general fund of \$288,907 in FY 2008 and FY 2009; a total of \$577,814 in general fund for the 2009 Biennium is requested.

- ❑ **Personnel Services - Overtime** – Overtime expenditures are necessary to manage the workload created during specific business cycles (i.e., motor vehicle dealership licensing and high-volume production periods for titling and registration functions). Improvements achieved through phase one of the motor vehicle business process changes have reduced the need for annual overtime expenditures from \$70,387 in FY 2002 to \$7,700 in FY 2006. Continued improvements are expected to reduce the necessary overtime to \$5,000 annually. A reduction in overtime to \$5,000 in both FY 2008 and FY 2009 is requested.
- ❑ **Legal Fees and Court Costs** – Implementation and enforcement of the motor vehicle dealer laws changed during the 2003 Legislature will result in increased legal fees and courts costs. Administrative action was initiated in FY 2006 for more than 45 motor vehicle dealers not in compliance with state statutes and rules. Five cases are expected to result in legal action annually at an estimated cost of \$1,500 each. An increase of \$7,500 is requested in both FY 2008 and FY 2009.
- ❑ **Data Network** – an additional \$147,000 (350 Active Directories X 12 Months X \$35.00) is required in both FY 2008 and FY 2009 (\$294,000 for the biennium). These are county Treasurer active directories that are used to process motor vehicle title and registration transactions. These active directory counts were not included in the fixed cost allocation totals.
- ❑ **Printing/Publications and Graphics - Ongoing Operating Costs** – the contract for license plate decals expired in 2006. The RFP will be issued in FY 2007 for license plate decals that involve technology for printing of the decals and registration forms at the point of sale, which is a secure process compatible with the new motor vehicle system processes. The contract cost of registration forms and license plate decals is projected to increase from \$0.1266 (\$0.0752 for each decal and \$0.0514 for each receipt) in FY 2006 to \$0.25 in FY 2008 and in FY 2009. 1.3 million Decals are issued each year including special decals for recreational vehicles. An increase for registration forms and expiration decals of \$160,420 is requested each year in FY 2008 and in FY 2009. ($\$0.25 - \$0.1266 = \$0.1234$ increase per decal x 1.3 million decals - \$160,420)
- ❑ **Office Supplies-Minor Equipment/non State Provider** – The new point of sale printers provide many benefits which will enhance county treasurers' efficiencies, improve the application of the decals on the appropriate vehicles, and reduce the security risks for inventory control. These printers require a print cartridge with a unique type of ink that cannot be altered and meets a high-level of security related technical requirements. Each cartridge is estimated to produce 5,000 registration decals and receipts. An increase of \$130,000 each year in FY 2008 and FY 2009 is required to provide the essential supplies for these motor vehicle decals and registration receipts. ($1,300,000 \text{ decals/receipts} / 5,000 \text{ per cartridge} = 260 \text{ cartridges} \times \$500/\text{cartridge} = \$130,000$ increase per year)

- Postage – Postage rates increased approximately five percent in January 2006. It will be necessary to annualize this increase for renewal registration notifications and daily business mail. \$191,440 in postage was expended July through December 2005. A five percent increase would be \$9,572 ($\$191,440 \times 5\% = \$9,572$). An annual increase for postage of \$9,572 is requested for each year FY 2008 and FY 2009.

DP 1202 – Base Adjustments MVD Driver Licensing – Base Budget Adjustments are requested to allow the Motor Vehicle Division to continue to meet its on-going driver licensing and driver control responsibilities. Total present law base adjustments for overtime, contract services, computer processing, printing, minor office equipment, postage, rent and vehicles in the amount of \$2,729,539 was originally requested for the 2009 Biennium. An increase is necessary to for rent in the amount of \$45,369 in FY 2008 and \$46,730 in FY 2009. A total of \$2,821,638 is requested for the biennium. There is \$1,692,983 of general fund required for the biennium. The balance of this request is funded from the Highway Special Revenue Account.

- Personnel Services -- Overtime – Expenditures in this category reflect regular overtime for division personnel providing driver licensing examination services. Included are special requirements for certain individuals and commercial entities including school bus providers and the need to verify the identity of applicants – a job that did not exist five years ago. MVD expended \$8,999 in overtime in FY 2005 and \$6,500 in FY 2006. \$5,000 is requested for each year in FY 2008 and FY 2009.
- Consulting Services – The processing and printing of driver license renewal notices were contracted at \$0.08 for each card in FY 2006. To annualize this contracted service an increase of \$5,600 in FY 2008 and \$5,600 in FY 2009 is requested.
- Photographic Services – The seven-year contract for the production of digital driver licenses and ID cards at a cost per card of \$3.15 will expire in FY 2007. The RFP that will replace the existing contract will be based upon security features required by the Federal Real ID Act and include automated driver license testing and scheduling. The anticipated cost of the contract will increase from \$3.15 to \$10.00 for each driver license and ID card produced. An increase of \$1,233,000 each year in FY 2008 and FY 2009. Proposed legislation (HB 180) was introduced to increase the fees collected for driver licenses and ID cards to offset this contract increase. [$(\$10.00 - \$3.15 = \$6.85 \text{ increase per card}) \times 180,000 \text{ cards per year} = \$1,233,000$]
- Computer Processing/Non DOA – In FY 2004 Montana completed the batch verification and implemented processes in FY 2005-FY2006 to correct the information in the driver license database verifying each licensed driver's social security number (SSN) with the Social Security Administration (SSA). SSA verification is necessary to prevent fraud and ensure the homeland security through the identification of individuals issued drivers licenses by Montana. At a cost of \$0.03 per SSN verification, an annual increase of \$5,400 is requested. [$180,000 \text{ verifications} \times \$0.03/\text{card} = \$5,400$]
- Printing/Publications and Graphics – The Montana Graduated Driver Licensing Program was implemented in FY 2007. An increase for the printing of brochures providing detailed information and forms for the Graduated Driver Licensing Program of \$6,000 is requested for each year in FY 2008 and FY 2009.

- ❑ Office Supplies – Central Stores – A customer contact center to improve customer service access for the public and provide a first place contact for questions about driver services and titling and registration and to schedule driver license appointments was established in late FY 2007. An increase for office supplies is requested for the new customer contact center in the amount of \$1,000 in each year of FY 2008 and FY 2009.
- ❑ Office Supplies – Minor Equipment / Non State Provider – Beginning in FY 2008 individuals will be able to obtain full renewal driver licensing services at their county treasurers' offices in those locations where limited scheduled driver licensing services are provided by the State staff. Eye machines will be necessary for the counties to provide these basic renewal driver-licensing services. An increase of \$7,000 in FY 2008 and \$8,000 in FY 2009 is requested for the purchase of eye machines (at a cost of \$1,000 each).
- ❑ Postage – Postage rates increased approximately five percent in January 2006. It will be necessary to annualize this increase for driver license renewal notifications and daily business mail. \$59,885 in postage was expended July through December 2005. A five percent increase would be \$2,994. Additionally, auditors recently noted that the division is not in compliance with 61-5-126, MCA that requires notification to individuals when their names are reported to Selective Service. To comply with the statute it will be necessary to increase postage \$8,000 annually. An annual increase of \$10,994 is requested each year for FY 2008 and FY 2009.
- ❑ Telephone Equipment Charge/D of A – Telephone connections will be necessary for the staff providing the first point of customer contact for questions and scheduling appointments for driver license testing. (Eight lines @ \$180/yr = \$1,440) \$1,440 is requested in each year of FY 2008 and FY 2009.
- ❑ Long Distance Charge / D of A -- 800 service long distance is most efficient at \$0.10/minute. Customer service long distance calls (50,000 to 80,000 calls per year) are estimated at \$25,000 in each year of FY 2008 and FY 2009.
- ❑ Rent -Non-DOA – Many of the lease contracts for field driver licensing offices contain annual increase of 3% or more. An increase of \$6,431 in FY 2008 and \$9,253 in FY 2009 was originally requested. Due to customer demands for improved service and the fact that numbers were not available at the time the present law request was submitted, there needs to be an increase in this decision package for rent in the amount of \$45,369 in FY 2008 and \$46,730 in FY 2009 for the Bozeman driver licensing office. A total increase of \$51,800 is requested for FY 2008 and \$55,983 for FY 2009.
- ❑ Vehicles Repairs – The number of surplus highway patrol vehicles was increase in FY 2007 by five for the Customer Service Quality Assurance Section use in providing training support statewide. Ongoing annual maintenance for those vehicles is requested in FY 2008 and FY 2009 in the amount of \$3,000 each year. [5 vehicles x \$600/per vehicle = \$3,000 per year in FY 2008 and FY 2009]
- ❑ Education and Training – Education and training is necessary for staff to remain current and provide efficient effective customer service. \$1,200 is requested for each year FY 2008 and FY 2009.

- ❑ Autos and Trucks – 14 of the 33 vehicles owned by the agency are ten years old or older. These vehicles are necessary to provide motor vehicles services; however, the annual mileage does not meet the financial efficiency threshold for leasing from Motor Pool. \$21,500 is requested in each year of FY 2008 and FY 2009 to replace the older vehicles that are beyond their usable, safe life span.

To simplify the budgeting process the budgets for the Motor Vehicle Division Administrative Section, Field Operations Bureau, Records and Driver Control Bureau and the Customer Service and Quality Assurance Section have been combined in this package.

DP 1206 – Base Adjustments for HB 577 Debt payments -- Budget adjustments for HB 577 debt payments are necessary to fund the Motor Vehicle System, Phase One, Titling System project. A total of \$1,575,000 in state special revenue authority is requested for the biennium.

- ❑ In 2001 the Department of Justice (DOJ) was authorized (HB 577) a \$4.5 million loan from the Board of Investments for the purpose of financing the Motor Vehicle system – Phase One – Titling System project. This first phase included an in-depth analysis of the existing systems and processes, looking at all aspects of the motor vehicle titling processes; design of the forthcoming best practices for the new system for motor vehicle titling processes; development of a complete transition plan from the existing arrangement to a fully implemented new motor vehicle system and finally, implementation of the best practices for motor vehicle titling.
- ❑ The \$4.5 million board of Investments loan (initiated in FY 2002) to finance the FY 577 motor vehicle titling information technology system under the INTERCAP loan program was placed on a 10-year repayment schedule funded by a \$4 increase in lien filing fees.
- ❑ An increase of \$800,000 in FY 2008 and \$775,000 in state especial revenues are requested for debt service and system acquisition needs. It is requested to make this a biennial appropriation.

DP 1207 – Base Adjustments for HB 261 Debt payments -- Budget adjustments for HB 261 debt payments are necessary to fund the Motor Vehicle System, Phase Two, Vehicle Registration and Driver Licensing / Driver Control system project. A total of \$6,000,000 in state special revenue authority is requested for the biennium.

- ❑ In 2003 HB 261 authorized the Department of Justice (DOJ) to secure an \$18 million loan from the Board of Investments for the Motor Vehicle system – Phase Two – Vehicle Registration and Driver Licensing/Driver Control project. These second phase included: An in-depth analysis of the existing systems and processes, looking at all aspects of the motor vehicle registration, driver licensing, and driver control processes; design of the forthcoming best practices for the new system for those titling processes; development of a complete transition plan from the existing arrangement to a fully implemented new motor vehicle system and finally, implementation of the best practices for motor vehicle registration and driver licensing/driver control.
- ❑ The Board of Investments \$18 million loan for the HB 261 motor vehicle registration and driver licensing/ driver control information technology system under the INTERCAP loan program was initiation in FY 2004 with a 10-year repayment schedule funded by a \$5 increase in titling fees.

- ❑ An increase in state special revenue of \$2,500,000 in FY 2008 and \$3,500,000 in FY 2009 is requested for this debt service and system acquisition needs. It is requested to make this appropriation a biennial appropriation.

DP 1212 – MV Proprietary Account Spending Authority – Spending authority is requested for costs of development, maintenance, and distribution of information in the state's motor vehicle and driver licensing database applications. A biennial appropriation in the amount of \$50,000 in proprietary funding is requested by the Motor Vehicle Division.

HB 767 passed by the 2005 Montana Legislature revised the laws governing the release of information amending 61-11-105, MCA, providing a convenience fee and allowing use of a point of entry for electronic government services. 61-11-105, MCA, as amended by the 2003 Legislature, provided that the Department of Justice, Motor Vehicle Division shall collect a fee to recover the department's expenses including the costs associated with developing and maintaining the databases from which motor vehicle and driver licensing information is requested.

The division is providing these services through the Discovering Montana state portal (MI). These new fees collected through MI are being deposited in a proprietary account (06080). The biennial appropriation of \$50,000 is requested for FY 2008 and FY 2009 to cover the costs associated with the development of new business not in the base budget.

DP 1213 – HB 671 Proprietary Account Spending Authority – The Legislature approved proprietary funds in the 2007 biennium to support operating costs for an enhanced motor vehicle web portal that allows 3rd party users to access the system. Implementation was delayed until FY 2007 and therefore is not in the base budget. Spending authority is requested in the amount of \$525,000 each year of the biennium for these proprietary funds.

DP 1215 – Retirement transfer SA – A statutory appropriation exists for the annual retirement transfer for the highway patrol retirement. It is requested to continue the appropriation at the same level as the FY 2006 expenses. This Department of Justice request is for \$277,178 general fund annually.

New Proposals

DP 1208 – Driver License Security Requirements -- Base budget adjustments are requested by the Department of Justice to continue to support the driver license security requirements. Base budget adjustments continuing the authorization of 2.00 FTE and expenditures in the areas of personal services, computer processing, printing, supplies, postage, communications, travel and vehicle leasing in the amount of \$112,283 in FY 2008 and \$112,371 in FY 2009 in general fund is requested.

- ❑ These base budget adjustments are necessary to allow the Motor Vehicle Division to meet the requirements of the federal law requiring any commercial driver who has or will seek a hazardous material endorsement to their commercial driver license to undergo a background investigation. The Federal Motor Carrier Safety Administration, Transportation Security Administration, and the Research and Special Programs Administration rules have established process and performance requirements instituting security threat assessments and background checks on commercial vehicle drivers transporting certain types of hazardous materials. States are required to collect biographical and criminal history information and submit fingerprints to the Transportation Security Administration. The State must audit

commercial driver licensing testing, internal commercial driver licensing testing processes, coordinate driver license restrictions/endorsements, and manage modified driver license expiration dates. Commercial driver license application, notice and renewal processes are all impacted by the Transportation Security Administration requirements.

- Personnel Services – 2.00 FTE were hired in October 2005 to support the law. One FTE (Grade 13) audits internal activities to assure that the department is in conformity with federal laws and one FTE (Grade 10) staffs a help desk to assist the commercial drivers with licensing issues. Authorization to continue the 2.00 FTE and personal services costs of \$100,754 in FY 2008 and \$100,842 in FY 2009 is requested.
- Total annual operating costs of \$11,529 to continue this program in FY 2008 and FY 2009 are requested as follows:
 - Virtual Private Network - \$105
 - Gasoline - \$5,124
 - Office Supplies/Central Stores - \$300
 - Postage and Mailing - \$1,500
 - Cellular Telephone - \$223
 - Telephone Equipment DOA - \$327
 - In-State Meals - \$800
 - In-State Lodging - \$1,250
 - In-State Meals Overnight - \$700
 - Vehicle Repair and Maintenance - \$1,200

COMMITMENT

These are the recent highlights and those proposed over the next biennium for the Motor Vehicle Division. Although each specific item addressed in our proposed 2009 biennium budget has not been mentioned today, we want you to know we are good stewards of the State's resources. We are proud of our people and accomplishments. As the retail business of government touching most Montanans sometime throughout the year, we are committed to continue our efforts towards efficient services that are cost effective and responsive to the taxpayers.